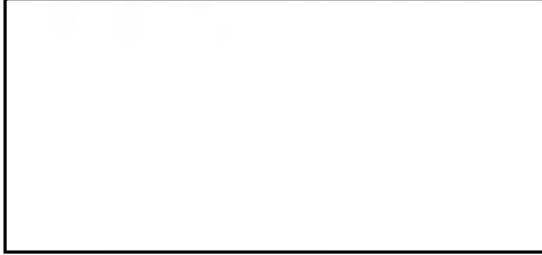


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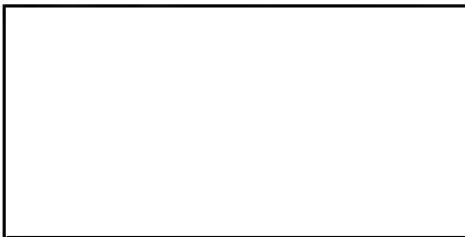
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CHILE: Foreign exchange reserves are falling rapidly.

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USSR - OUTER SPACE: Space liability convention

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CHILE: FOREIGN EXCHANGE RESERVES ARE FALLING RAPIDLY. ALLENDE PROBABLY WILL FACE A SEVERE BALANCE-OF-PAYMENTS CRISIS BY EARLY 1972 UNLESS POLITICALLY DIFFICULT REMEDIAL STEPS ARE TAKEN.

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OFF-
FICIAL NET RESERVES HAVE FALLEN BY AT LEAST 30 PER-CENT SINCE ALLENDE CAME INTO OFFICE, AND THE EMBASSY ESTIMATES THEY ARE LIKELY TO BE ONLY ABOUT \$100 MILLION BY THE END OF THE YEAR. BECAUSE OF DECLINING EXPORT EARNINGS AND SHARPLY RISING IMPORTS, THE EMBASSY IS PREDICTING A TRADE DEFICIT OF ABOUT \$180 MILLION AND A CURRENT ACCOUNT DEFICIT OF ABOUT \$350 MILLION IN 1971, UNLESS THERE IS A DRAMATIC AND UNFORESEEN REINVIGORATION OF COPPER OUTPUT OR A SHARP JUMP IN WORLD COPPER PRICES.

ALLENDE COULD PARTIALLY IMPROVE THE SITUATION BY TAKING POLITICALLY UNPOPULAR STEPS TO REDUCE IMPORT DEMAND. SUCH MOVES AS CONSUMER GOODS RATIONING, CURRENCY DEVALUATION, AND REDUCED EMPHASIS ON INCOME REDISTRIBUTION ARE NOT LIKELY TO OCCUR DURING 1971, HOWEVER, BECAUSE THEY WOULD FALL HARDEST ON THOSE GROUPS THAT PROVIDE ALLENDE WITH THE BULK OF HIS POLITICAL SUPPORT.

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USSR - OUTER SPACE:

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MOSCOW HAS ACCEPTED US-BELGIAN PROPOSALS DESIGNED TO RESOLVE THE LENGTHY IMPASSE OVER THE CONVENTION ON LIABILITY FOR DAMAGE CAUSED BY ERRANT SPACE VEHICLES. THE COMPROMISE PROVIDES FOR AN INTERNATIONAL CLAIMS COMMISSION, BUT ITS RECOMMENDATIONS WOULD NOT BE BINDING ON THE OFFENDING PARTY. THOUGH THE LACK OF SUCH ASSURANCES MAY PROVE UNPALATABLE TO A NUMBER OF COUNTRIES, THEY ARE UNLIKELY TO BLOCK COMPLETION OF THE CONVENTION WHICH THEY HAVE STRONGLY DESIRED FOR SEVERAL YEARS. THE SOVIET MOVE WILL ENABLE IT TO POINT AGAIN TO ITS INTEREST IN REACHING AGREEMENTS WITH THE WEST IN SENSITIVE AREAS.

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